Distr.
GENERAL

TD/B/SR.483
24 January 1975

United Nations Conference on Trade and Development

Original: ENGLISH

TRADE AID DEVELOPMENT BOARD

Ninth Special Session (Second Part)

SUMMARY RECORD OF THE 483rd MEETING

held at the Palais des Nations, Geneva,
on Monday, 23 January 1975, at 12.25 p.m.

President: Mr. de ALWIS (Sri Lanka)

CONTENTS

Opening of the second part of the ninth special session

Liminaire statement by the Secretary-General of UNCTAD

Procedural matters (item 1 of the provisional agenda):

(a) Adoption of the agenda and organization of the work of the session

Other business (agenda item 7)

Institutional matters (agenda item 6):

(b) Announcement of any changes in the membership of the Board

(c) Treatment of new States members of UNCTAD for purposes of elections

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GE.75-61244

OPENING OF THE SECOND PART OF THE NINTH SPECIAL SESSION

1. The PRESIDENT, after reviewing the decisions of the Conference at its fourth session relating to the holding of a ministerial session of the Board in 1977, the consequent action taken by the Trade and Development Board at the first part of its ninth special session and the provisions of General Assembly resolution 32/187, said that the Board now had before it the report of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries on its second session (TD/B/685 and Add.1-3) and the note on "Selected issues relating to the establishment of common norms in future debt reorganization" (TD/AC.2/9) which the UNCTAD secretariat had submitted to the Intergovernmental Group of Experts at its second session. He invited the Board's attention again to the relevant paragraphs of the report of the meeting of multilateral and bilateral financial and technical assistance institutions with representatives of the least developed countries (TD/B/631). In his statement to the Board, the Secretary-General of UNCTAD would presumably elaborate further on the issues to be dealt with during the session.

2. He believed that the Board's task was to consider the information before it, to identify the issues involved and make recommendations thereon for submission to the Ministers at their meetings to be held from 6 to 10 March 1978. For that purpose, the Board had before it, in annexes 1-3 of document TD/B/685, the position papers of the Groups and papers submitted by the United States of America and Sweden. He suggested that the proposals made in those papers should form the basis for the Board's discussion and negotiations.

3. A comparison of the proposals made by the developing and the developed countries was to be found in the annex to document TD/AC.2/9. That comparison showed that there were certain elements common to the various proposals. Indeed, at the second session of the Intergovernmental Group, the expert from Sweden had expressed the hope that it would be possible to reach a compromise on the basis of the texts and proposals submitted, since they all contained many useful elements, and the spokesman for the Group of 77 had reiterated that that Group had not asked for debt relief for all developing countries. In that connexion, the recent moves by the Governments of Canada, the Netherlands, Sweden and Switzerland to alleviate the debt problem of a number of developing countries were most commendable.

4. The problem of the external indebtedness of developing countries was one of the most important issues facing the international community. It was encouraging, therefore, that both creditor and debtor countries agreed that a solution must be found. He did not doubt the willingness of all present to join in the common endeavour towards achievement of that objective.

OPENING STATEMENT BY THE SECRETARY-GENERAL OF UNCTAD

5. Mr. COREA (Secretary-General of UNCTAD) said that the meetings of the Trade and Development Board to be held from 6 to 10 March would be the first to be held at ministerial level. That accord that all member States recognized that the problems to be dealt with - the external indebtedness of developing countries, including the debt of the least developed and financial problems of the least developed countries, developing island countries and developing land-locked countries - required international attention at a high political level. Much analysis of those problems had already been undertaken by UNCTAD and other bodies, but a clear consensus had not yet been reached on what their solutions might be. In his opinion, positive outcome would require political initiative at a high level in developed countries, and he hoped that the ministerial meeting would result in forward movement in overcoming at least some of the major stumbling blocks of the North/South dialogue. The Board would contribute to the success of the ministerial meeting if it succeeded, at the present part of the session, in identifying the outstanding issues and possible solutions, thus enabling Governments to reconsider their positions and come forward with new ideas that might provide a basis for consensus at the ministerial meeting.

6. [illegible] It was [illegible] that there was already a broad measure of agreement on several points. There appeared to be agreement, for example, that the unequal terms of present difficulties that most developing countries had experienced in the recent past were not due to domestic mismanagement or overspending but were primarily imposed as a result of the [illegible] of inflation and recession in the developed world. There seemed to be agreement also that if the level of world economic activity was to be increased, a more equitable distribution of the benefits of growth would have to be encouraged through [illegible] development that would be brought about through long-term flows on appropriate terms and conditions. There seemed to be agreement that [illegible] in terms of trade of developing countries, to [illegible] and to [illegible] were essential if the gap between developed and developing countries was not to widen still further. Official development assistance to the poorest countries must be substantially increased if they were to meet [illegible] targets for [illegible].

7. There seemed to be agreement that the objective of creating optimal conditions for private capital flows to developing countries was the stability of external financing for those countries, which currently met the largest deficits in relative terms. It was also important to improve access to capital markets by developing countries and to avoid [illegible] which not only [illegible] but also [illegible] the stability of financial markets. Finally, there seemed to be agreement that [illegible] should be [illegible] in a multilateral framework, should safeguard both the legitimate interests of the creditors and the development objectives and the welfare of the people of the debtor country.

8. Seen in the context of the consensus elements to which he had just referred, the issues before the Board might be usefully considered under the following three broad headings: international measures relating to the outstanding official debt of certain categories of poorer developing countries; the scope of official intermediation in increasing the availability of private funds to developing countries on appropriate terms and conditions; and agreement on the establishment of international guidelines for future debt re-organization.

9. The subject of the external indebtedness of the poorer developing countries had been examined exhaustively in the past two years and seemed to be ripe for a political decision. What was needed now was the adoption of a scheme that would meet the needs of all parties involved, irrespective of their economic and social systems. In the light of the memorandum submitted by Sweden at the last session of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries, and the informal meetings of Governments to that body, he believed that a satisfactory agreement could be reached by adopting a course of international action that would safeguard the flexibility of the donor countries to determine the volume of overall assistance and its distribution among recipient countries and, at the same time, result in an increased net transfer of resources to the poorer developing countries in the form of quickly disbursed funds, on improved terms and conditions. One way of meeting those agreed objectives would be for the donor countries to agree to extend their current standards regarding terms of assistance to outstanding bilateral official debt. Developed countries had agreed to provide assistance to least developed countries primarily in the form of grants. Currently, credits to IDA countries were very often on terms equivalent to, or even better than, IDA terms. On the other hand, current debt service payments of developing countries reflected terms of assistance that had prevailed some 10 or 15 years previously. On the whole, those terms were considerably harder than the terms now considered appropriate for the poorer developing countries. A case could be made for bringing the terms of outstanding official loans incurred in the past into line with terms currently accepted.

10. The UNCTAD secretariat had examined the implications of such an upward correction of terms of the official outstanding debt of the least developed countries, the land-locked and island developing countries and other IDA countries and had come to the conclusion that such an approach would go a long way towards reducing the debt service burden of the recipient countries. For example, if the official bilateral debt of least developed, land-locked and island developing countries were to be converted into grants and if the outstanding official bilateral debt of other IDA countries were to be recalculated so as to increase its implicit grant element from 55 per cent to 75 per cent, the total average annual savings in debt service outflow from these countries in each of the next five years would be more than $600 million. That approach would raise the grant element of total post official assistance, including grants, from about 75 per cent to about 87 per cent, which was consistent with the target recommended for terms of assistance in resolution XXI (XVI) of the Board. In implementing such a proposal some flexibility would be introduced to take into account differences in performance by donor countries with regard to the share of grants in their aid flows.

19. The third major area to which the Ministers should give priority attention was that the vital need for a long-term policy framework within which the international community could address itself to the problem of investment in general, and resolve debt crises in a manner that would be equitable for both creditors and debtors. Work at the technical level had shown that the proposals already contained many common elements, but nevertheless at the last session of the Intergovernmental Group of Experts had been brought to a halt because many of the experts had apparently had no authority to negotiate. That was an additional reason why the Board should now pay particular attention to identifying the broad objectives that would form the basis of common action. Its future work would include scheduling, and to giving the intergovernmental machinery constructive guidance on which to report and on the policy issues involved.

20. In viewing the holding of the [illegible] meeting as a major initiative to open a dialogue between developed and developing countries, it would be regrettable to mark a turning-point in the debt problems of the latter, which would inevitably have been a cause of frustration if significant progress was not achieved.

21. In moving towards the fifth session of the Conference and the Third Development Decade, it was imperative to realize that the development of the developing countries was an essential factor in the stable and balanced growth of the world economy and that the international community as a whole should demonstrate its common commitment to ensure that acceptable levels of development were achieved. The work to be done at the present and third parts of the session should therefore result in establishing this objective as the basis for building a new, just and equitable international economic order.

22. The PRESIDENT thanked the Secretary-General for his statement, which had clarified the issues before the Board and contained constructive suggestions to guide members in their deliberations.

23. Mr. KLEMM (Zaire), speaking on behalf of the Group of 77, thanked the Secretary-General for his interesting statement and for the proposals in that sense, which offered a sound basis for solving the problems before the Board, provided the political will to solve them existed. The Group requested that the text of the Secretary-General's statement should be circulated in all the working languages of UNCTAD.

24. Mr. ARISMENDI (Secretary of the Board) informed the Board that the financial implications of making the text available in the languages requested, i.e. Arabic, English, French and Spanish, as a part of [illegible] would be $8,000.

25. The PRESIDENT said that, in the absence of objection, he would take it that the Board wished the Secretary-General's statement to be circulated in all the working languages.

26. It was so decided.

PROCEDURAL MATTERS (item 1 of the provisional agenda):

(a) ADOPTION OF THE AGENDA AND ORGANIZATION OF THE WORK OF THE SESSION (TD/B/486)

23. The PRESIDENT invited the Board to consider the provisional agenda (TD/B/486), which had been approved by the Board during the first part of the ninth special session, when it had been decided that the same agenda would serve for the third (adjourned) part of the session. The spokesman for Group B had requested, in informal consultations with the regional co-ordinators, that the title of item 5 should be left open. In the absence of objection, he would take it that the Board adopted the provisional agenda on the understanding that item 5 remained open for discussion.

24. It was so decided.

25. The PRESIDENT suggested that it might be preferable to hold plenary meetings in the afternoons only, so that mornings would be left free for the regional groups to hold discussions. He also suggested that an open-ended contact group should be established. In the absence of objection, he would take it that his suggestions were approved.

26. It was so decided.

OTHER BUSINESS (agenda item 7)

Replacement of a Vice-President

27. The PRESIDENT said he was informed that one of the Vice-Presidents of the Board, Mr. Prakash of the Byelorussian SSR, would be unable to attend the session and would be replaced by Mr. Loukianovitch from the same country. In the absence of objection, he would take it that the Board elected Mr. Loukianovitch as one of its Vice-Presidents.

28. It was so decided.

INSTITUTIONAL MATTERS (agenda item 6):

(b) ANNOUNCEMENT OF ANY CHANGES IN THE MEMBERSHIP OF THE BOARD

29. The PRESIDENT informed the Board that Surinam and Zambia had notified the Secretary-General of their wish to become members of the Board, in accordance with General Assembly resolution 1995 (XIX), as amended. In the absence of objection, he would take it that those countries were declared members of the Board.

30. It was so agreed.

(a) TREATMENT OF NEW STATES MEMBERS OF UNCTAD FOR PURPOSES OF ELECTIONS

31. The PRESIDENT welcomed the Republic of Djibouti to the membership of UNCTAD and asked the Board whether it agreed, pending action by the Conference at its fifth session, and for the purposes of elections, to add Djibouti to list A of the annex to General Assembly resolution 1995 (XIX), as amended.

32. It was so decided.

The meeting rose at 1.15 p.m.